



20 April 2007

COMMISSION STAKEHOLDER CONFERENCE ON FLEXICURITY 20 APRIL 2007

ADDRESS BY MR PHILIPPE DE BUCK, BUSINESSEUROPE SECRETARY GENERAL

Ladies and Gentlemen,

Let me first thank the European Commission for organising this conference. I think it is the right moment to discuss the concept of flexicurity.

Introduction

Let me start by saying that in its priorities and unanimously by all the Presidents of its 39 members, BUSINESSEUROPE has stated its commitment to the European Social Model and its values, which means that economic growth has to be combined with an increase in solidarity.

However, in recent years, several developments have put pressure on our social and economic systems to adapt and modernise. First, there is the process of globalisation leading to increased international competition and generating pressures for labour markets to adjust. Second, Europe's workforce is ageing and will soon start shrinking. With fewer people contributing to social protection systems and more depending on it, there will be ever greater pressure on public spending, especially on pensions and health care, undermining the sustainability of our welfare systems.

As a result, Member States must reflect on how to best adapt their social and economic systems to address these challenges. Against this background, the issue of flexicurity has risen to the top of the policy agenda, both at the European and national level.

On flexicurity

As you know, the word "flexicurity" is the contraction of two concepts, flexibility and security. The essence of the flexicurity approach is that it does not seek to organise trade-offs between flexibility and security. On the contrary, flexibility and security are considered to be complementary and even mutually supportive.

For BUSINESSEUROPE, flexicurity is key to modernise the European social model. In essence, flexicurity is about moving away from a job preservation mindset into a job creation mindset to reduce to a minimum the periods of unemployment. It requires comprehensive national strategies with the right mix of economic and social measures



to foster job creation and help people to maximise their chances on the labour market. Therefore, flexicurity must be founded on three pillars:

- flexible labour law with smart rules on protection against dismissals and a variety of employment contracts to answer different needs of companies and workers together with a strong commitment to fight undeclared work. As you know, this is also one of the central issues in the Commission's Green Paper on Labour Law, the launch of which has triggered a Europe-wide debate on the modernisation of labour markets to which BUSINESSEUROPE has and will continue to participate actively. The purpose of this debate is not to protect the principles of the past but looking constructively on how to prepare our future.
- putting into place effective active labour market policies and lifelong learning systems fostering employability and labour market integration; which area where companies are actively engaged in; and
- having an employment-friendly social protection system and in particular an unemployment insurance which links rights and obligations for the unemployed as opposed to giving unconditional passive income support.

Depending on the national context and traditions, the detailed ingredients of this mix will vary. It is always said that there is no one-size-fits-all model of flexicurity to be implemented across the EU, and it is true but there is a way to go, and a process to put in place to achieve the goal of flexicurity.

On the importance of flexicurity

I would like to stress that acceptance by everybody, including trade unions, of the concept of flexicurity is important. Why is this so?

Let me explain. Sufficiently flexible markets facilitate labour re-allocation from old and declining sectors to new and dynamic ones, thereby enhancing productivity and economic growth and creating upward mobility for workers. In addition, formal and informal lifelong learning policies will enhance the employability of workers and better equip them to grasp new employment opportunities. This, in turn, will enable companies and workers to better adapt to market shifts, also to the benefit of overall productivity.

In short, we accept the fact, if well-conceived, that flexicurity-policies will be to the mutual benefit of companies and workers. They should not only lead to more and better jobs but can also play a crucial role in overcoming the negative trade-off between more inclusive labour markets and productivity growth in which many EU Member States are currently trapped.

On the lack of progress

However, looking at the concrete state of "flexicurity" in EU Member States, it is clear that much remains to be done. Many countries still have overly rigid employment protection legislation and where reforms of labour law have taken place, these have tended to concentrate on the margins, for example by loosening regulations on temporary employment. Financial disincentives to enter or progress on the labour



market remain considerable in many Member States. Moreover, in too many countries active labour market policies remain underdeveloped. This latter issue is particularly worrying if we want to fight successfully long-term unemployment, which is currently affecting more than 8 million European citizens (or 4% of the labour force compared to only 0.6% in the USA in 2006). Clearly, this is unacceptable and something that we cannot afford!

A lot of European decision-makers are conscious that outdated and unnecessarily rigid labour regulations hamper business development, curb productivity growth and constrain job creation. Most people agree that inflexible labour regulations and a lack of mobility increase the adjustment costs associated with globalisation and technological innovation.

However, when it comes to drawing the consequences of this analysis and deciding on reforms, progress is limited. Fears and resistance, especially in some big EU countries, are considerably slowing down necessary reform measures. In this respect, BUSINESSEUROPE's 2007 European Reform Barometer showed that improvements in labour flexibility, especially for regular employment contracts, have been limited.

An important reason for this is that in many countries increased flexibility is still considered synonymous for increased insecurity and precariousness for workers. I would like to take this opportunity to correct this misperception.

According to recent evidence, with more than 80% of labour contracts, indefinite duration employment remains the most widespread form of employment in Europe. Also, 80% of workers say that they are satisfied or very satisfied with their working conditions and with their work-life balance. Part-time work has risen over the years but 70% of those workers do not want a full-time job. Moreover, both part-time workers and those with fixed-term work contracts are protected against discrimination by the directive implementing the agreement of the European social partners. In light of all this, taking a defensive attitude towards flexible forms of work and equating flexibility with precarious work is not justified. The figures come not from us, but from the European Foundation for the Improvement of Living and Working conditions (Dublin Foundation).

In addition, research clearly shows that people feel secure because it is relatively easy to find a job rather than because they are safeguarded by strict employment legislation.

In France, for example the subjective feeling of job insecurity is strong notwithstanding a high level of job protection legislation. By contrast, Danish employees are among those in the EU who have the highest feeling of employment security despite the fact that the cost of hiring and firing is relatively low and labour market mobility is high.

We should therefore tackle ill-conceived job protection legislation in order to facilitate job creation and find new ways of providing security in the labour market. The removal of unnecessary rigidities would also help to overcome segmented labour markets in which insiders enjoy a high degree of security while outsiders are trapped in unemployment or less secure forms of employment. By doing so, we would substantially improve the employment prospects of under-represented groups such as young and elderly people, women and migrants which, in turn, will lead to better inclusion, less discrimination and less unemployment on our labour markets.



Some Member States have shown that there are ways to have both more inclusive labour markets and strong productivity. Denmark, the Netherlands and Ireland are good examples even though they are very different. Their success demonstrates the benefits of flexible labour markets relying less on labour law instruments and more on education and training as well as activation to ensure worker protection. Moreover, flexible labour markets boosting employment and productivity growth are essential to generate the means for social security systems and help ensure fiscal sustainability.

On the role of different players

Clearly, implementing flexicurity-policies will require comprehensive action across a broad range of policy domains, by various actors and at various levels of policy-making. However, the competence to take action lies primarily with the Member States. Most of the decisions will therefore have to be taken at national level. Yet, the EU can play a useful role in various ways:

- By completing the internal market, in particular for services, as this will increase growth and jobs prospects for the EU as a whole;
- By organising exchanges of experiences on national flexicurity approaches;
- By monitoring national reforms using the instruments of the European growth and jobs strategy;
- By providing a framework in order to facilitate discussions and policy developments at the national level.

However, flexicurity is not only a matter for public authorities. I would say on the contrary! Social partners can and should also play a key role. After all, they are best placed to find solutions reconciling economic and social needs of labour market players and devise concrete arrangements that benefit both companies and employees. In fact, decentralised decision-making which allows “central” matters to be decided by social partners at the national, sectoral or company-level also enhances flexibility and facilitates adjustment to external shocks.

As part of the European social dialogue work programme 2006-2008, the European social partners are discussing key labour market challenges with a view to arriving at a common analysis. I will not hide the fact that this is not an easy exercise. The delay in the process bears witness to this. But, albeit slower than expected, we are making progress.

The trade union movement often claims that, in the context of the flexicurity debate, too much emphasis is being put on flexibility and this mainly to the benefit of companies. But let me be clear: employers do not want to limit the debate on flexicurity to the issue of hiring and firing. We fully accept that providing new forms of security to workers is part of the flexicurity recipe. However, we also insist that, in a fast changing world, flexibility of labour markets is necessary to allow the creation of new higher productivity jobs to replace old low-added value activities.



While employers do not believe in the generalisation of national “models” across Europe, we are convinced that the European social partners would make a real difference if they were able to make a joint description of the key components of a genuine flexicurity approach. BUSINESSEUROPE therefore very much hopes that the ongoing discussions with ETUC will succeed and that we will be able to present results that are relevant not only for social partners but also for policy-makers, both at the national and European level.

To conclude

It is clear that status-quo is no option. Firm and forward-looking action is necessary to correct structural weaknesses on European labour markets. However, time is running out. We cannot afford to wait any longer. We therefore call on national governments to take the necessary measures to better combine the requirements of flexibility and security. The Commission can help by facilitating discussions and policy developments at the national level. We really hope that the upcoming Commission communication on “pathways to flexicurity” could indeed help to stimulate a critical analysis of national policies and steer national reform efforts. BUSINESSEUROPE and its member federations for their part will continue to promote flexicurity throughout Europe, including through initiatives such as the joint analysis of key labour market challenges.
